



# DRAFT BUDGET 2015/2016 OF THULAMELA MUNICIPALITY 2011/12 TO 2017/18 MEDIUM TERM REVENUE & EXPENDITURE FORECASTS



## ***Thulamela Municipality Vision***

*We, the people of Thulamela would like our Municipality to Achieve a city status by 2030, to promote urban regeneration and comprehensive rural development whilst encouraging Local economic Development to improve the quality of lives of our People.*

## ***Thulamela Municipality Mission***

*We build prosperity, eradicate poverty and promote social, political and economic empowerment of all our people through delivery of quality services, community participation, local economic development and smart administration.*

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## **ABBREVIATIONS**

MFMA- Municipal Finance Management Act 56 of 2003

MBRR- Municipal Budget and Reporting Regulations

MTREF- Medium Term Revenue and Expenditure Framework

EPWP – Expanded Public Works Programme

FMG – Finance Management Grant

INEP – Integrated National Electricity Program

MIG –Municipal Infrastructure Grant

MSIG – Municipal Systems Improvement Grant

EEDG –Energy Efficiency and Demand Side Management Grant

**PART 1 – Annual Budget**

**1.1 Mayor's Report**

**THULAMELA MUNICIPALITY  
2015/2016 DRAFT BUDGET  
ADDRESS  
BY THE MAYOR OF  
THULAMELA MUNICIPALITY,  
CLLR GRACE MAHOSI.**

**DATE: 31 MARCH 2015**

**TIME: 10H00**

**VENUE: COUNCIL CHAMBER**

**The Chairperson of Council: Honourable Speaker, Cllr Baloyi M.E**

**The Chief Whip of the Council: Honourable Malindi O.T**  
**Senior Traditional Leaders**

**Councillors**

**Distinguished Guests**

**Senior Management Team under the Leadership of the  
Municipal Manager: Adv. Mathivha M.H**

**Chairperson of Audit Committee**

**All Protocol Observed**

Thank you very much **Honourable speaker**, for affording me the opportunity to present the 2015/ 2016 financial year draft budget.

**Honourable speaker**

This draft budget is dedicated to the late Minister of Public Services and Administration Cde Ohm Collins Chavane, who died on the tragic car accident with his two protectors. He was a people's person, a gentle giant and a grounded leader who worked with quiet determination. His humility and passion in serving this nation and the sacrifices he made to contribute in freeing South Africa from the hands of colonialism will be remembered forever. His death has robbed us of a cadre whose conduct and actions always epitomized the true characteristics of a selfless freedom fighter.

It is also dedicated to the services of the late Hosi SDW Nxumalo who was our source of wisdom and inspiration. He was a leader of note who was influential in communal stability and a frontier in traditional enhancement and protection.

Our heroes have fallen and it is now up to us to pick up the spear and forge ahead in fulfilling the dream of creating a better life for our community and all the people of South Africa.

**Honourable speaker**

This draft is also dedicated to JB Marks and Moses Kotane whose remains were repatriated earlier this month from Moscow. Marks was one of the leaders who played a key role in the Communist Party-led anti-pass campaign of 1944, which drew 20,000 people, including ANC members.

JB Marks was a distinguished leader and a revolutionary who hated racism and oppression of people because of the colour of their skin, and he wanted only the best for his country and people.

**Let us please rise and observe a moment of silence.  
May their souls rest in peace.**

**Honourable speaker**

I'm presenting this draft budget when one of us has suffered a great loss of property. Cllr Maria Sambo's house was burnt down on the 19<sup>th</sup> March 2015. We really share the pain she is going through. Let's join hands to give her the necessary support.

**Honourable speaker**

I am presenting the draft budget in order to afford all stakeholders the opportunity to engage in public participation. Chapter 4 of the Municipal Systems Act [Act 32 of 2000] makes community participation in the affairs, programmes and activities of the municipality a legal obligation.

Let me therefore take this opportunity to invite everyone to participate in public consultations and encourage everyone to become involved in community building. We need to work together for the benefit of our neighborhood.

The involvement of all of us will assist this municipality to sustain the Unqualified Audit Opinion by the Auditor General which we obtained in the 2013/ 2014 financial year.

**Honourable speaker**

Let me get straight to the business of the day

**TABLED BUDGET – MTREF 2015/2016 FINANCIAL YEAR**

**1. Background**

In terms of Municipal Finance Management Act (Act 56, of 2003) Chapter 4, section 16, (1) The Council of a Municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.

In order for a municipality to comply with section (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

The detailed Multi-year Budget report is attached hereto as municipal budgets and supporting tables.

The budget process is also guided by National Treasury Circulars to all municipalities to conform to sections in the MFMA. Circular no. 75 was issued by National Treasury for the 2015/16 MTREF.

**2. Financial implication**

**(i) TABLED BUDGET**

**Revenue**

The projected income for 2015/2016 financial year is **R 950,6 Million** while the previous year was **R 899,8 million**. The change is substantial as a results of the following:

- The Equitable share was provided for **R 338 million** for 2014/2015 financial year while in 2015/2016 financial year is budgeted for **R 443 million**. There is an increase of **R 105 million** from previous year.
- Energy efficiency and demand side management grant was budgeted for 4 million in 2014/2015 financial year while in 2015/2016 financial year is **R 5 million**. There is an increase of **R 1 million**.



- Electricity grant was budgeted for **R 45 million** for 2014/2015 financial year while in 2015/2016 financial year is **R 60 million**. There is an increase of **R 15 million**.
- Extended public workers programme was budgeted for **R1,7 million** for 2014/2015 financial year while in 2015/2016 is budgeted for **R 2.3 million**. There is an increase of **R 600 Thousand**.
- Interest earned on investments was provided for **R16 million** for 2014/2015 financial year while in 2015/2016 financial year is **R 25 million**. There is an increase of **R9 million**.

**Some of the grant and items decreased although the average changes have resulted to an increase in revenue. The following are the grants and items which decreased.**

- The neighborhood development partnership grant (NDPG) was provided for at **R 15 million** on 2014/2015 financial year and decreased to zero by 2015 /2016 financial year.
- Municipal infrastructure grant was budgeted for **R179 million** for 2014/2015 financial year and decreased to **R132, 8 million** by 2015/2016 financial year. The decreased by **R 46, 2 million**.
- Selling of sites was budgeted of **R 61 million** for 2014/2015 financial year while in 2015/2016 financial year is budgeted for **R 40 million**. There is a decrease of **R 21 million**.
- The tariff has increased by 6% as per MFMA Circular No:74

**The following are the Total Revenue Summary for 2015/2016 financial year:**

<b>Allocations</b>	<b>2014/2015 R'000</b>	<b>2015/2016 R'000</b>
MUNICIPAL SYSTEM IMPROVEMENT GRANT(MSIG)	934	930
FINANCE MANAGEMENT GRANT (FMG)	1 600	1 600
EPWP- EXTENDED PUBLIC WORKS PROGRAMME	1 737	2 302
ENERGY EFFICIENCY AND DEMAND SIDE MANAGEMENT GRANT(EEDG)	4 000	5 000
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT (NDPG)	15 000	-
INEP(ELECTRICITY) GRANT	45 000	60 000
MIG (MUNICIPAL INFRASTRUCTURE GRANT)	179 144	132 820
EQUITABLE SHARE	338 467	443 020
INTEREST EARNED	16 000	25 000
REFUND VAT	35 000	40 000
LONG TERM LOAN	45 000	40 000

ASSESSMENT RATES BUSINESS	53 286	53 700
SELLING OF SITES	61 000	40 000
INTEREST RAISED: ARREAR ACCOUNTS	16 000	17 525
TRAFFIC FINES	8 300	9 000
OTHER REVENUE (Note:1)	79 361	79 713
<b>TOTAL</b>	<b>899 830</b>	<b>950 611</b>

*Note 1: the following are some of the other revenue: Advertising, burial fee, clearance certificate, building plans, general levy, rezoning, refuse removal. Application of subdivision, application of deeds of grant, licensing and registration*  
**EXPENDITURE**

The salaries and wages for 2014/2015 financial year was **R188 million** and it has increased by 4.4 % according to circular 75 to **R200 million** for 2015/2016 financial year.

### **SALARIES**

	BUDGET (2014/15)	BUDGET (2015/16)
TOTAL EMPLOYEE COST	R 188 million	R 200 million

### **GENERAL EXPENSES**

	BUDGET (2014/15)	BUDGET (2015/16)
TOTAL GENERAL EXPENSE	R 225 million	R 250 million

General expenditure has gone up due to the following major items:

- During the financial year 2015/2016 financial year there is **R 2 million** budgeted for Security Uniform.
- Electricity projects was budgeted for **R 45 million** on 2014/2015 financial year while 2015/2016 financial is budgeted for **R 60 million**. There is an increase by **R 15 million**.

### **REPAIRS AND MAINTENANCE**

Repairs and maintenance increased by **R5 Million**.

	BUDGET (2014/15)	BUDGET (2015/16)
TOTAL REPAIRS & MAINTENANCE	R 26 million	R 31 million

Repairs and maintenance increased from **R 26 million** by 2015/2016 financial year while is budgeted for **R 31 million** on 2015/2016 financial year. There is an increase of **R5 Million**.

**The following are the major increased items:**

- Heavy machinery increased from **R5 million** on 2014/2015 financial year while in 2015/2016 financial year is increase to **R 6 million**. there is an increase of **R 1million**
- Roads, streets and storm water increased from **R4 million** on 2014/2015 financial year while in 2015/2016 financial year is increase to **R 5 million**. there is an increase of **R 1 million**
- Stadiums increased from **R2 million** on 2014/2015 financial year while in 2015/2016 financial year is increase to **R 3 million**. there is an increase of **R 1 million**

#### **PROVISION FOR DOUBTFUL DEBT**

	BUDGET (2014/15)	BUDGET (2015/16)
TOTAL PROVISION FOR DOUBTFUL DEBTS	R 66 million	R 75 million

An amount **R 75 million** will be provided as doubtful debts due to non-payment of our debtors on the billed services and traffic fines. The expected collection rate for 2015/2016 financial year is 40%.

#### **DEPRECIATION**

	BUDGET (2014/15)	BUDGET (2015/16)
TOTAL DEPRECIATION	R75,5 million	R 81 million

It is the requirement of GRAP presentation in respect of assets. Depreciation has increased by **R 5, 5 Million**.

#### **CAPITAL BUDGET**

	BUDGET (2014/15)	BUDGET (2015/16)
TOTAL CAPITAL BUDGET	R317 million	R312 million

The capital budget was budgeted for **R 317 million** for 2014/2015 financial year while is budgeted for **R 312 million** for 2015/2016 million it has decreased by **R 5 million**.

Capital Budget for 2015/2016 financial year is 30% of total budget.

The projects that has made a major impact on 2015/2016 financial year Budget are as follows:

THULAMELA GATEWAY	R 14 400 000
UNIT E MAGIDI TO MBALENI ROAD PLUS G EXTE	R 40 000 000
MBALENI MAKWARELA EXT3 LINKING AND OPE OF STRE 8.7 KM	R 20 000 000
BRIDGES	R 23 000 000
MALAMULELE CI STREETS	R 35 000 000
TSHIKOMBANI ACCESS ROAD 3.5KM	R 20 000 000
MAUNGANI ACCESS ROAD PHASE 2	R 30 000 000
MALAMULELE B EXT 1 STREETS	R 25 000 000
TSHIBEVHA GARAGE TO LIIVHA & TSHIBEVHA TO THULAMELA ROAD	R 21 500 000
MAKONDE STADIUM	R 10 000 000
UPGRADING SASELAMANI STADIUM	R 17 820 000

*For other projects see Annexure B*

**Capital Budget will be funded as follows:**

MIG	<b>R 132 million</b>
OWN	<b>R 180 million</b>
<b><u>TOTAL</u></b>	<b><u>R 312 million</u></b>

### **RECOMMENDATIONS:**

It is recommended that EXCO re-commend the following to Council:

- 1.2.1. The Tabled budget of the municipality for the financial year 2015/2016 and the multi-year and single-year capital appropriations as set out in the following tables:
  - (A) Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2 of MTREF
  - (B) Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3 of MTREF
  - (C) Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4 of MTREF
  - (D) Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5 of MTREF
- 1.2.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
  - (A) Budgeted Financial Position as contained in Table A6 OF MTREF

- (B) Budgeted Cash Flows as contained in Table A7 OF MTREF  
(C) Cash backed reserves and accumulated surplus reconciliation as contained in Table A8 OF MTREF  
(D) Asset management as contained in Table A9 of MTREF  
(E) Basic service delivery measurement as contained in Table A10 OF MTREF
- 1.2.3. Tariffs and charges reflected in Annexure B are approved for the budget Year 2015/2016.
- 1.2.4. The amended Budget related policies as detailed in Annexure C are approved for the budget year 2015/2016.

**Honourable Speaker, Colleagues, Ladies and Gentlemen**

The service delivery objectives in this draft budget can only be achieved in partnership with our community, and it therefore mean that all of us must and should honour our part of the social contract, by paying for services to ensure that we succeed in our quest to remain viable and sustainable as a municipality, and in rolling back the frontiers of poverty and underdevelopment.

**Honourable Speaker**

In conclusion I want to express my heartfelt gratitude to

All Exco members, Finance committee members, all ward councillors and ward committee representation. The municipal manager & chief financial officer and her budget team as well as all officials who have played a pivotal role with the compilation of this budget.

**Working together we move South Africa forward**

**I thank you**

## 1.2 Resolutions

### EXTRACT RESOLUTION OF THULAMELA MUNICIPALITY ORDINARY COUNCIL MEETING NO: 03/2015 HELD ON THE 31 MARCH 2015

#### RESOLUTION NO: SC 03/03/15

The Council of Thulamela Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves:

- 1.2.5. The Tabled budget of the municipality for the financial year 2015/2016 and the multi-year and single-year capital appropriations as set out in the following tables:
- (A) Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2 of MTREF
  - (B) Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3 of MTREF
  - (C) Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4 of MTREF
  - (D) Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5 of MTREF
- 1.2.6. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
- (A) Budgeted Financial Position as contained in Table A6 OF MTREF
  - (B) Budgeted Cash Flows as contained in Table A7 OF MTREF
  - (C) Cash backed reserves and accumulated surplus reconciliation as contained in Table A8 OF MTREF
  - (D) Asset management as contained in Table A9 of MTREF
  - (E) Basic service delivery measurement as contained in Table A10 OF MTREF
- 1.2.7. Tariffs and charges reflected in Annexure B are approved for the budget Year 2015/2016.
- 1.2.8. The amended Budget related policies as detailed in Annexure C are approved for the budget year 2015/2016.

### 1.3 Executive Summary

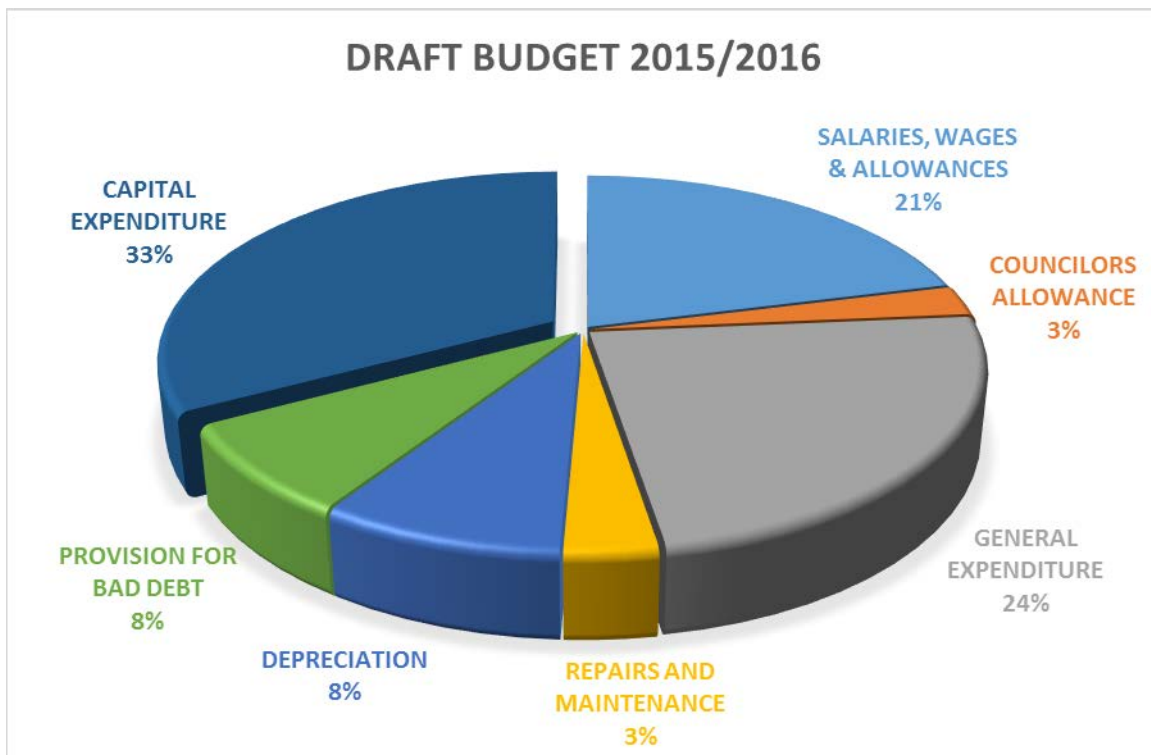
The Draft budget for 2015/2016 was compiled in accordance with the requirements of the Municipal Finance Management Act (Act 56 of 2003) as well as the Municipal Budget and Reporting Regulations which gives a clear directive on the prescribed reporting framework and structure to be used.

The application of sound financial management principles for the compilation of the municipal's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The service delivery priorities of the municipality were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low to high-priority programmes so as to maintain sound financial management.

Despite the limited resources, Thulamela municipality is still and will always stay committed towards a better life for all. We will continue to prioritise community needs as people comes first in whatever we do.

The following is a summary of Draft budget for 2015/2016.



The highest percentage goes to the capital budget (33%) as we continue to address backlog of service delivery.

The municipality is determined to continue to give hope to the hopeless and light to those in darkness. General expenditure of 24% includes R60 Millions of electrification projects.

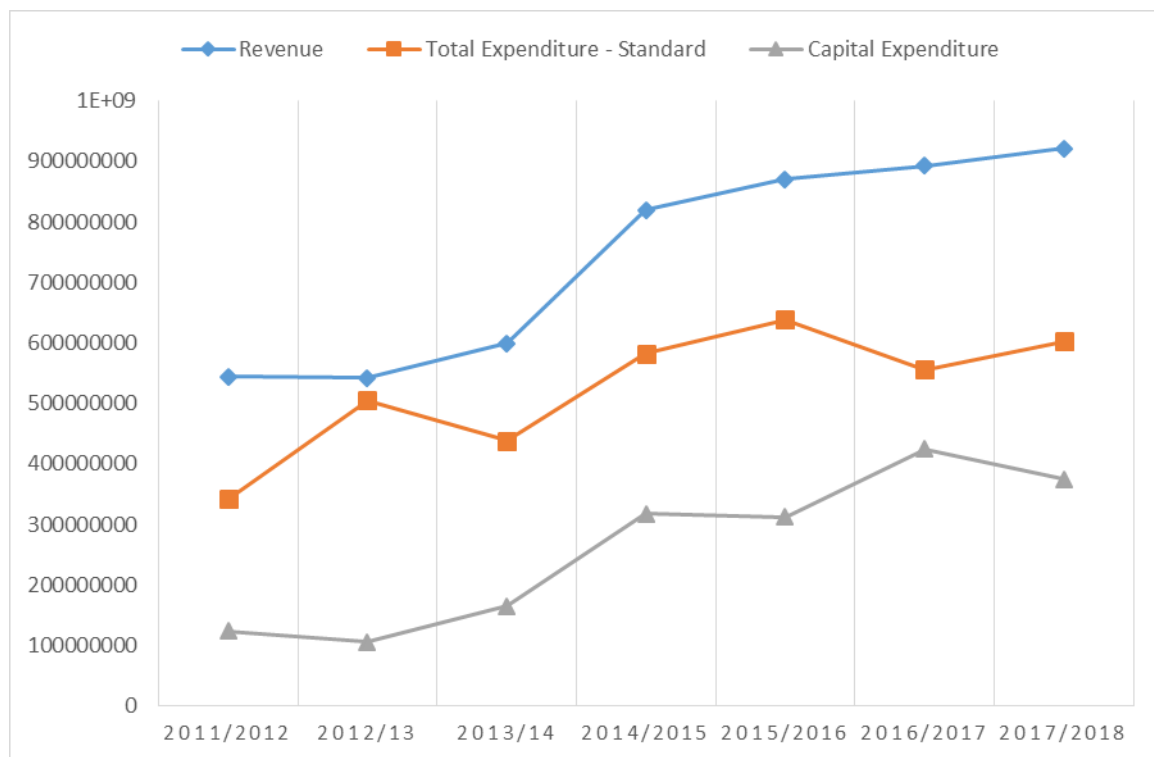
The salaries and wages for 2014/2015 financial year was R188 million and it has increased to R 200 million for 2015/2016 financial year. Salaries and wages has increased by 4.4% in terms of circular 75.

Repairs and maintenance is below 8% however the 3% will be able to deal with all items that needs to be repaired or maintained in 2015/2016 financial year.

Provision for doubtful debts is seating at 8% due to non-payment of debts.

Depreciation is at 8%, and this has been done in line with **GRAP** standard.

The following graph provides an analysis of Revenue, operational expenditure and capital expenditure over the MTREF. It highlights the Municipality's strategy to address the Community needs.



Revenue has been growing since 2011/2012 up to 2017/2018, this is mainly as a results of Operational Grants (such as equitable share) increasing every year

Total expenditure went down in 2013/2014, however in 2014/2015 and 2015/2016 it has increased.

Capital expenditure has marginally went down from 2014/2015 to 2015/2016, however it has increased in the two outer years. The decrease is mainly as a results of MIG which drops to R132 in 2015/2016 from R179 Million in 2014/2015 financial year. Neighborhood Development Partnership Development Grant was R15 Million in 2014/2015 where else there is no allocation of this grant in 2016/20174 financial year.



The following were the challenges experienced during the compilation of the 2015/2016 MTREF

- The ongoing difficulties in the national and local economy
- The need to reprioritize projects and expenditure within the existing limited resource taking into account the current cash flow limitations
- Salaries increases for municipal staff
- Non-payment of municipal services account

The following budget principles and guidelines directly informed the compilation of the 2015/2016 Draft Budget

- Zero rated budgeting was used on capital budget
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality
- Tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs
- the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act

The following table is a consolidated overview of the proposed 2015/2016 Draft budget

Consolidated Overview of the 2015/16 Draft budget					
Description	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Total Revenue (excluding capital transfers and contributions)	742 180 424	625 685 611	737 790 822	754 018 709	774 954 384
Total Operational Expenditure	549 777 611	581 914 393	638 190 824	555 701 209	602 001 143
Surplus/(Deficit)	192 402 813	43 771 218	99 599 998	198 317 500	172 953 241
Transfers recognised - capital	141 460 000	194 144 330	132 820 000	138 336 000	146 604 000
<b>Surplus/(Deficit) for the year</b>	<b>333 862 813</b>	<b>237 915 548</b>	<b>232 419 998</b>	<b>336 653 500</b>	<b>319 557 241</b>

The major Sources of revenue that resulted to an increase in total revenue excluding capital transfer from R62 Million to R73 million are the following

- The Equitable share was R 338 million for 2014/2015 financial year while in 2015/2016 financial year is budgeted for R 443 million. There is an increase of R 105 million from previous year.
- Interest earned on investments was provided for R 16 million for 2014/2015 financial year while in 2015/2016 financial year is R 25 million. There is an increase of 9 million.

- Thulamela municipality Tariffs for 2015/2016 financial year has increased by 6% which also played a major role on revenue increment.

Capita transfer has dropped by 32% from 2014/2015 to 2015/2016.

The decrease is as a results of Neighborhood Development Partnership Grant (NDPG) which is not allocated in 2015/2016 Division of Revenue Bill.

The following table is a consolidated overview of the proposed 2015/2016 Capital expenditure

Consolidated Overview of capital expenditure of the 2015/16 Draft budget					
Description	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure		
	Original Budget	Adjusted Budget	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>TOTAL CAPITAL EXPENDITURE - STANDARD</b>	<b>333 863 000</b>	<b>317 915 983</b>	<b>312 420 000</b>	<b>424 653 500</b>	<b>374 557 245</b>
<b>FUNDING</b>					
NATIONAL GOVERNMENT	141 460 000	194 144 330	132 820 000	138 336 000	146 604 000
INTERNALLY GENERATED FUNDS	192 403 000	123 771 653	179 600 000	286 317 500	227 953 245
<b>Total Capital Funding</b>	<b>333 863 000</b>	<b>317 915 983</b>	<b>312 420 000</b>	<b>424 653 500</b>	<b>374 557 245</b>

The capital budget was budgeted for R 317 million in 2014/2015 financial year while is budgeted for R 312 million in 2015/2016 million. It has decreased by R 5 million. Capital Budget for 2015/2016 financial year is 33% of total budget.

The main projects on 2015/2016 financial year Capital Budget are as follows:

THULAMELA GATEWAY	R 14 400 000
UNIT E MAGIDI TO MBALENI ROAD PLUS G EXTE	R 40 000 000
MBALENI MAKWARELA EXT3 LINKING AND OPE OF STRE 8.7 KM	R 20 000 000
BRIDGES	R 23 000 000
MALAMULELE CI STREETS	R 35 000 000
TSHIKOMBANI ACCESS ROAD 3.5KM	R 20 000 000
MAUNGANI ACCESS ROAD PHASE 2	R 30 000 000
MALAMULELE B EXT 1 STREETS	R 25 000 000
TSHIBEVHA GARAGE TO LIIVHA & TSHIBEVHA TO THULAMELA ROAD	R 21 500 000
MAKONDE STADIUM	R 10 000 000
UPGRADING SASELAMANI STADIUM	R 17 820 000

#### 1.4 Annual Budget Tables

See attached copy of Medium Term Revenue and Expenditure (MTREF) which represents the ten main budget tables (Table A1 to Table A10) as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2015/2016 Draft budget.

### **Table A1 –Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs. Financial management reforms emphasize the importance of the municipal budget being funded.
3. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - (A) The operating surplus/deficit (after Total Expenditure) is positive over the final budget
  - (B) Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognized are reflected on the Financial Performance Budget
    - ii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows In essence the cash backing surplus table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
5. From the table it can be seen that for the period 2011/12 up to date, the cash backed reserved shows a positive movement, which proves that the municipality will be able to pay their expenses.
6. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor

### **Table A2 –Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The Total Revenue on this table includes capital revenues (Transfers recognized – capital)

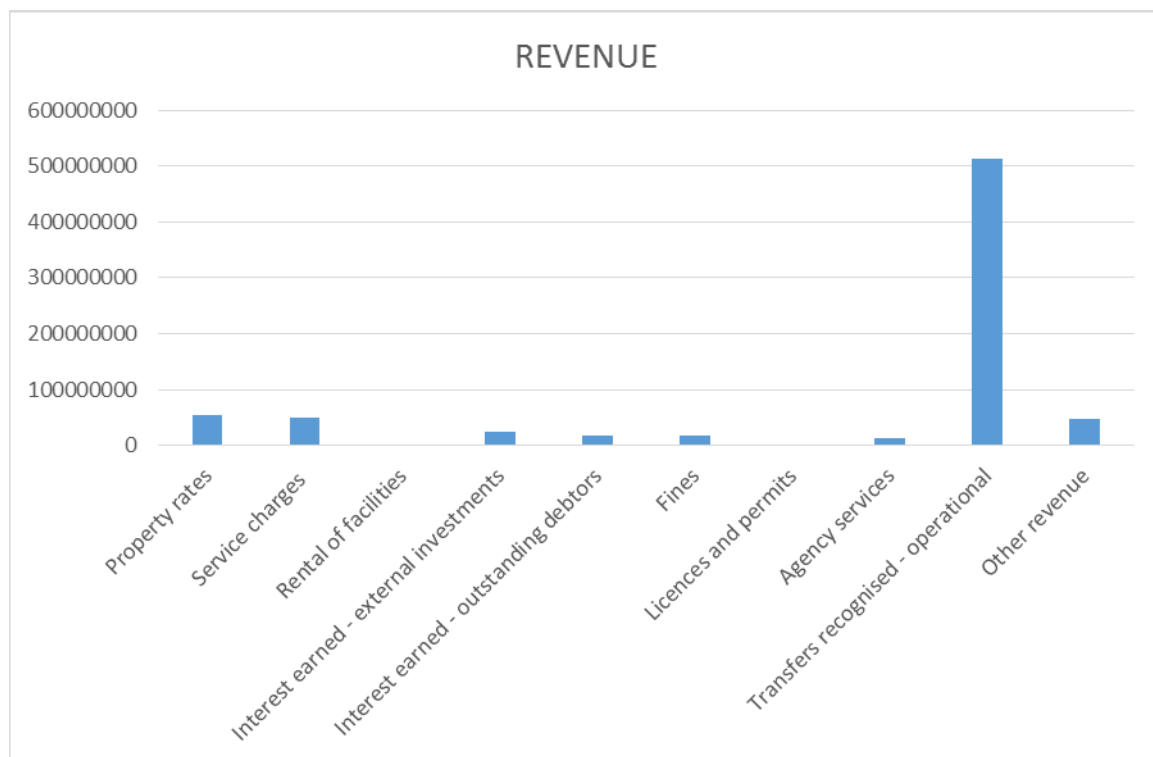
2. Table 2 shows the surplus of R232 million for 2015/16 financial periods, this prove that the municipality follows section 18 of the MFMA. The municipality shows a surplus for all perspective years.

**Table A3 – Budgeted Financial Performance (revenue and expenditure by municipal vote)**

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.

**Table A4 – Budgeted Financial Performance (revenue and Expenditure)**

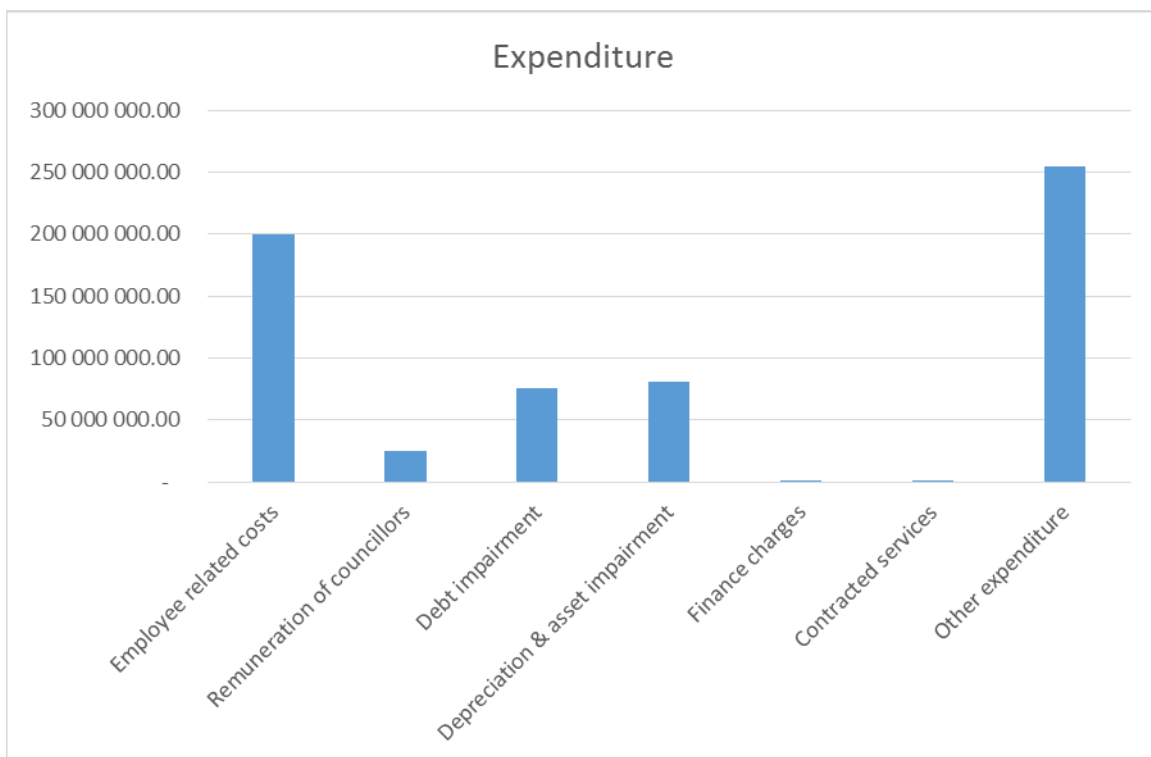
Total revenue is R737 million in 2014/2015 which is an increase from R625 million of 2014/2015 financial year.



1. Revenue to be generated from property rates is R53.2 million in the 2014/2015 financial year and increases to R53.7 million by 2015/2016 which represents an increase of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality. The municipality is anticipating to collect 40 % of on all billed services.

2. Other revenue like Selling of site, Tender document, building plans, clearance certificates, Hawkers licence, etc. constitutes the biggest component of the revenue basket of the municipality totalling R71 million for the 2014/2015 financial year and decreased to R46 million by 2015/2016.
3. For the 2015/2016 financial year the municipality budget will depend mainly on grants.
4. Transfers recognized – operating includes the local government equitable share and other operating grants from national Government. The grants receipts from national government are growing rapidly over the budget year. It has increased by 31% in 2015/2016.
5. Interest earned –external investment have significantly increased over the 2014/2015 to 2015/2016 period escalating from R16 million to R25 Million.

Total operational expenditure has increased from R581 Million in 2014/2015 to 638 Million in 2015/2016 financial year which is a 10% Increase.



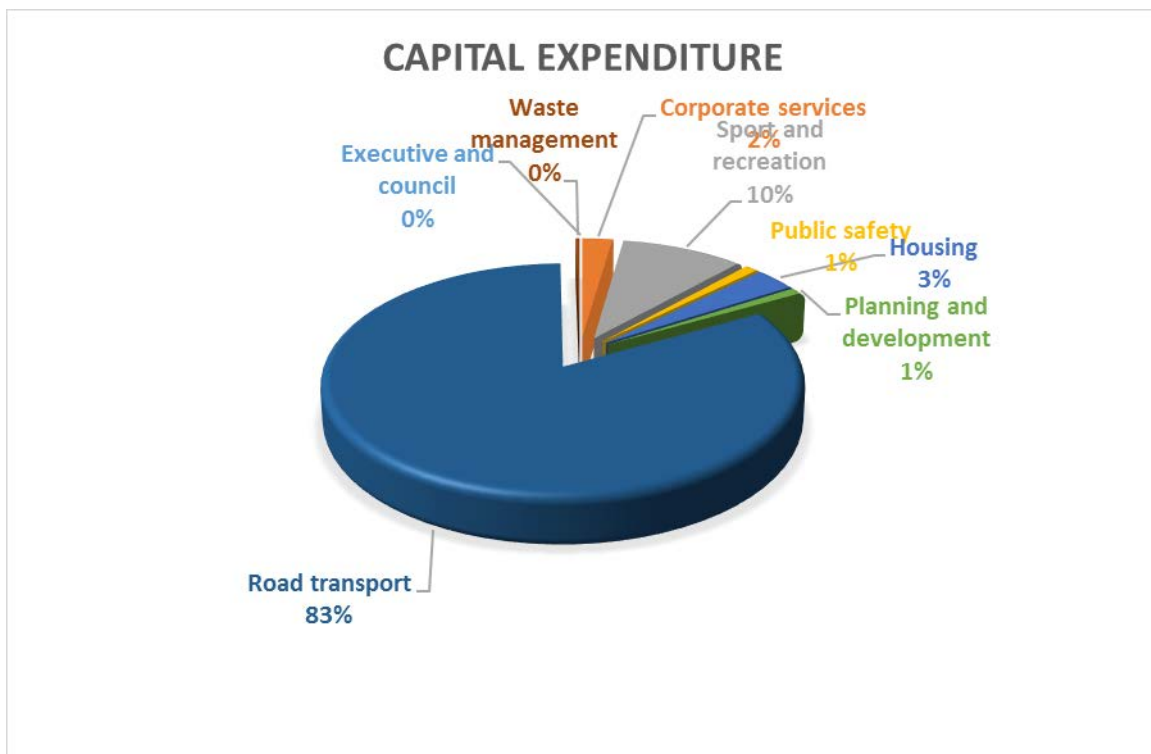
1. Employee related costs and other expenditure are the main cost drivers within the municipality operational budget

2. Other expenditure consist of the following:

COLLECTION COSTS	300 000.00
CONSULTANT FEES	5 800 000.00
AUDIT FEES	2 000 000.00
GENERAL EXPENSES	97 042 000.00
REPAIRS AND MAINTENANCE	31 070 000.00
REVENUE FOREGONE	11 500 000.00
ELECTRICITY PROJECTS	60 000 000.00
INDIGENT SUBSIDY	29 000 000.00
LEGAL COSTS	18 000 000.00

**Table A5 – Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The Draft budget provides that a municipality may approve multi-year or single year capital budget appropriations. In relation to multi-year appropriations, for 2015/2016 R312 million has been allocated for capital expenditure which decreased by 2% when compared to 2014/2015 financial year.



3. The above Graph clearly indicate that Roads are given high priority seating at 83% followed by Sports facilities at 10% of total capital budget for 2015/2016 financial year.
4. The capital programme is funded from Municipal Infrastructure Grant (R132 Million) and internally generated funds (R179 Million).

#### **Table A6 – Budgeted Financial Position**

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councillors and management of the impact of the budget on the statement of financial position.
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table A6 is supported by an extensive table of notes SA3 which providing a detailed analysis of the major components of a number of items, including:
  - (a) Call investments deposits
  - (b) Consumer debtors;
  - (c) Property, plant and equipment;
  - (d) Trade and other payables;
  - (e) Provisions noncurrent;
  - (f) Changes in net assets; and
  - (g) Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

#### **Table A7 Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

3. The Budgeted cash flow show a favorable closing balance which clearly indicate that the municipality will be able to finance the adjustment budget over the medium-term.

#### **Table A8 Cash Backed Reserves/Accumulated Surplus**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded". The municipality shows the positive movement for all the years.
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the draft budget is not appropriately funded.
5. From the table it can be seen that for the period 2011/2012 up to date, the cash backed reserved shows a positive movement, which proves that the municipality will be able to pay their expenses without borrowings Considering the requirements of section 18 of the MFMA, it can be shown that municipality has funded all the projects by having the positive cash
6. As part of the budgeting and planning guidelines that informed the compilation of the 2015/16 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

#### **Table A9 – Asset Management**

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The repairs and maintenance are mainly done In house. Repairs and maintenance is below 8% since we have recently unbundled community assets however the 3% will be able to deal with all items that needs to be repaired or maintained in 2015/2016 financial year. The Municipality Has R3 Million on renewal of existing assets in 2015/2016.

#### **Table A10 Basic Service Delivery Measurement**

This table proves an overview of service delivery levels for each main Service. The municipality has increased cost of free basic service from R27 million in 2014/2015 to R29 Million in 2015/2016 due to an increase in a number of indigent



The following services is not offered by Thulamela municipality hence there are no inputs on the budget.

- (a) Water (Vhembe District Municipality)
- (b) Sanitation (Vhembe District Municipality)
- (c) Electricity (Eskom)

## **PART 2 – SUPPORTING DOCUMENTATION**

### **2.1 Overview of the Annual Budget Process**

#### **Budget Process 2015/2016**

The budget process followed the requirements of the MFMA. A schedule of key deadlines was prepared for tabling in Council by the Mayor prior to the end of August 2014 as required.

The draft budget will be tabled in Council on 31 March 2013. A period of consultation then followed as per Sections 22 and 23 of the MFMA.

The following is the IDP/Budget Public Participation table

<b>DATE</b>	<b>NODAL AREA NAME</b>	<b>VENUE</b>	<b>TIME</b>
13 April 2015	Tshitereke Vhufuli /Makonde / Tshaulu	Sabatarian Church	14h00
13 April 2015	Malamulele/Gumbani/ Phaphazela/ Mukhomi/ Gidjani Madonsi/ Mtititi	Malamulele Boxing Gym	14h00
14 April 2015	Saseleman /Mhinga Lambani/Gidjani Madonsi/ Mtiti	Saseleman Circuit Office	14h00
14 April 2015	Thohoyandou/ Sibasa/ Lwamondo,/Tshikombani	Thohoyandou Town Hall	14h00
06 may 2015	IDP/Budget Rep Forum	Thohoyandou Hall	10:00

At the culmination of the process the Mayor must consider any representations and decide if any amendments should be made to the budget.

The Municipality's budget is prepared on a three year basis. This takes into account the National and Provincial three year allocations to the municipality and to ensure optional financial planning and provide for seamless service delivery. Additionally the National Treasury Budget Circulars request local government to highlight their projected increases over the next three years to give some certainty to customers.

Operating expenditure in 2014//2015 is budgeted at R581 million, the Projected budget for 2015/2016 has increased to 638 Million. The municipality sets out measurable

performance objectives to link the financial inputs of the budget to service delivery on the ground. This is done in the form of quarterly service targets and monthly financial targets that are contained in the Service Delivery and Budget Implementation Plan (SDBIP). The plan must be agreed by the Mayor within 28 days of approval of the final budget and forms the basis for the Municipality's in year monitoring.

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget.

In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and Heads of departments of the municipality meeting under the chairpersonship of the Councillor responsible for Finance matters.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

## **2.2 Overview of alignment of annual budget with IDP**

Municipalities are required to develop five year Integrated Development Plans which must be reviewed annually. It is also required that such plans must find expression in the Budget. The IDP and the budget are interrelated documents. The IDP is the budget in words, just as the budget is the IDP in figures. The Draft budget has been aligned with IDP. The budget has been aligned to the IDP as detailed on table SA4 to SA6

### **Public Participation**

One of the main features about the integrated development planning process is the involvement of community and stakeholder organizations in the process.

Public participation meetings are held in terms of Municipal Systems Act, Act 32 of 2000 section 16 and Municipal Finance Management Act, Act 56 of 2003 sections 22 and 23.

Both the draft IDP and budget are made public and also presented to IDP Representative Forum as scheduled.

Participation of the affected and interested parties ensures that the IDP addresses the real issues that are experienced by the citizens of the municipality.

Detail of Integrated Development Plan is attached in Annexure D

### **2.3 Measurable performance objectives and indicators**

The key financial indicators and ratios are disclosed in Supporting Table SA8: Performance indicators and benchmarks. Thulamela municipality is anticipating a 40% collection rate in 2015/2016 financial year.

### **2.4 Overview of the budget-related policies**

The following are the budget related policy detailed in Annexure C

- 2.4.1 Property Rates policy
- 2.4.2 Budget policy
- 2.4.3 Virement policy
- 2.4.4 Tariff policy
- 2.4.5 Indigent policy
- 2.4.6 Credit control and debt collection policy
- 2.4.7 Baking and investment policy
- 2.4.8 Fixed assets policy
- 2.4.9 Inventory policy
- 2.4.10 Supply chain management
- 2.4.11 Petty cash policy

### **2.5 Overview of budget Assumptions**

- The Draft budget for 2015/2016 was done in terms of MFMA and municipal budget reporting regulation.
- Budget was prepared in an environment of uncertainty and assumptions had to be made about internal and external factors that could impact on the budget during the course of the financial year.
- We have also look at the following factors
  - (a) Economic climate
  - (b) Poverty levels
  - (c) Inflation
  - (d) Service delivery cost increases
  - (e) Increase of staff costs and demands

The inflation rate forecasts as per MFMA circular no.75 issued by National Treasury has been used on the MTERF. The maximum of 6 growth rate was used on the tariffs and 4.4% on salaries. However some tariffs are based on cost recovery. The method used on Capital Budget is zero based budgeting.

## **Revenue**

- Property Rates was budgeted for R103 Million in the current year budget and adjusted to R53 Million since it was initially budgeted based on all area proclaimed and un-proclaimed. It dropped since we are only billing proclaim areas only.
- The 2015/2016 Property rate and service charges are also subjected to a 6% Tariff increase rate and it was based on the actual billing present.
- Interest Earned-external investment has increased by 56% since the municipality a favorable cash balance of which portion that is not available for immediate use will be invested.
- Interest earned – outstanding debtors continue to rise due to nonpayment of municipal services
- Transfer recognized-operational has increase from R391 Million in 2014/2015 to R512 Million in 2015/2016 due to the following reasons
  - (A) The Equitable share was provided for R 338 million for 2014/2015 financial year while in 2015/2016 financial year is budgeted for R 443 million. There is an increase of R 105 million from previous year.
  - (B) Energy efficiency and demand side management grant was budgeted for 4 million in 2014/2015 financial year while in 2015/2016 financial year is R 5 million. There is an increase of R 1 million.
  - (C) Extended public workers programme was budgeted for R 1,7 million for 2014/2015 financial year while in 2015/2016 is budgeted for R 2.3 million. There is an increase of R 600 000.
- Other revenue decreased by 34% in 2015/2016 financial year mainly due to Selling of sites which was budgeted for R 61 million in 2014/2015 financial year while in 2015/2016 financial year is budgeted for R 40 million. There is a decrease of R 21 million

## **Expenditure**

- The salaries and wages for 2014/2015 financial year was R188 million and it has increased by 4.4 % according to circular 75 to R 200 million for 2015/2016 financial year.
- An amount R 75 million will be provided as doubtful debts due to non-payment of our debtors on the billed services and traffic fines. The expected collection rate for 2015/2016 financial year is 40%.
- It is the requirement of GRAP presentation in respect of assets. Depreciation has increased by 10% from 2014/2015 to 2016/2016 financial year.  
Contracted services has decreased since the municipality is committed in reducing outsourced services. In 2015/2016 contracted service dropped by 51% as a results of reducing contractual securities.
- Other expenditure consist of the following:

COLLECTION COSTS	300 000.00
CONSULTANT FEES	5 800 000.00
AUDIT FEES	2 000 000.00
GENERAL EXPENSES	97 042 000.00
REPAIRS AND MAINTENANCE	31 070 000.00
REVENUE FOREGONE	11 500 000.00
ELECTRICITY PROJECTS	60 000 000.00
INDIGENT SUBSIDY	29 000 000.00
LEGAL COSTS	18 000 000.00

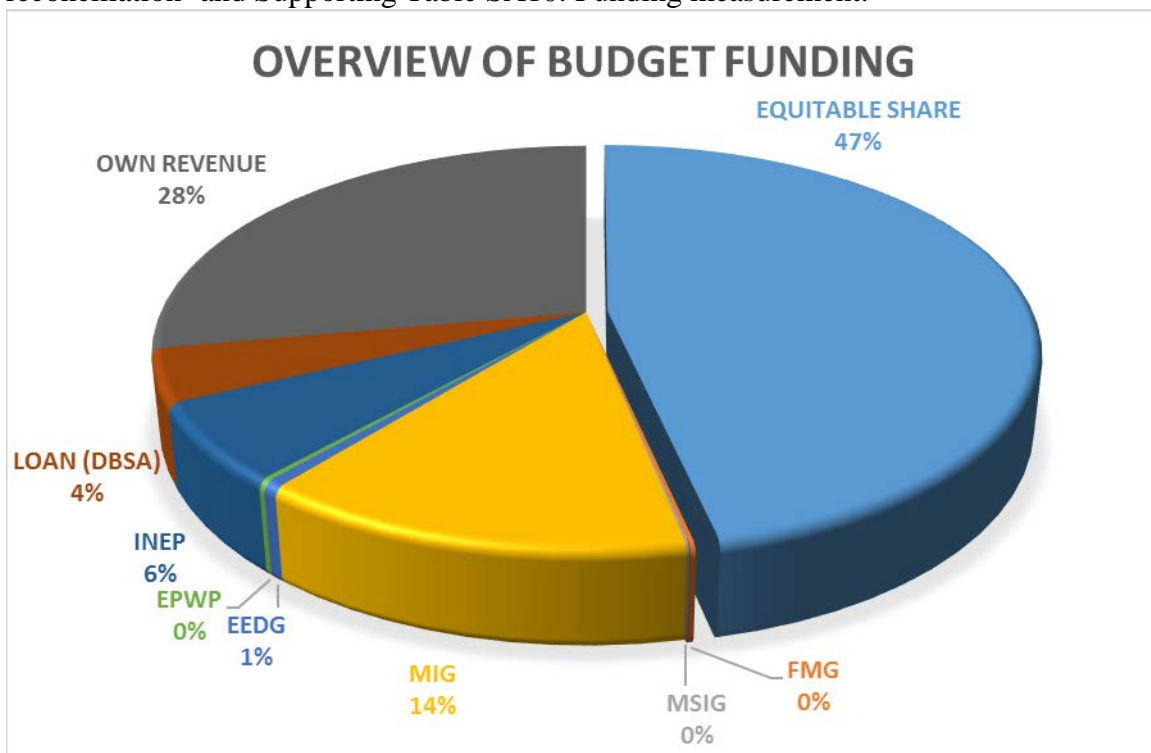
Other expenditure has increase by 14% from 2014/2015 to 2015/2016 financial year, and a major increase is as results of R60 million on Electricity projects

## 2.6 Overview of budget funding

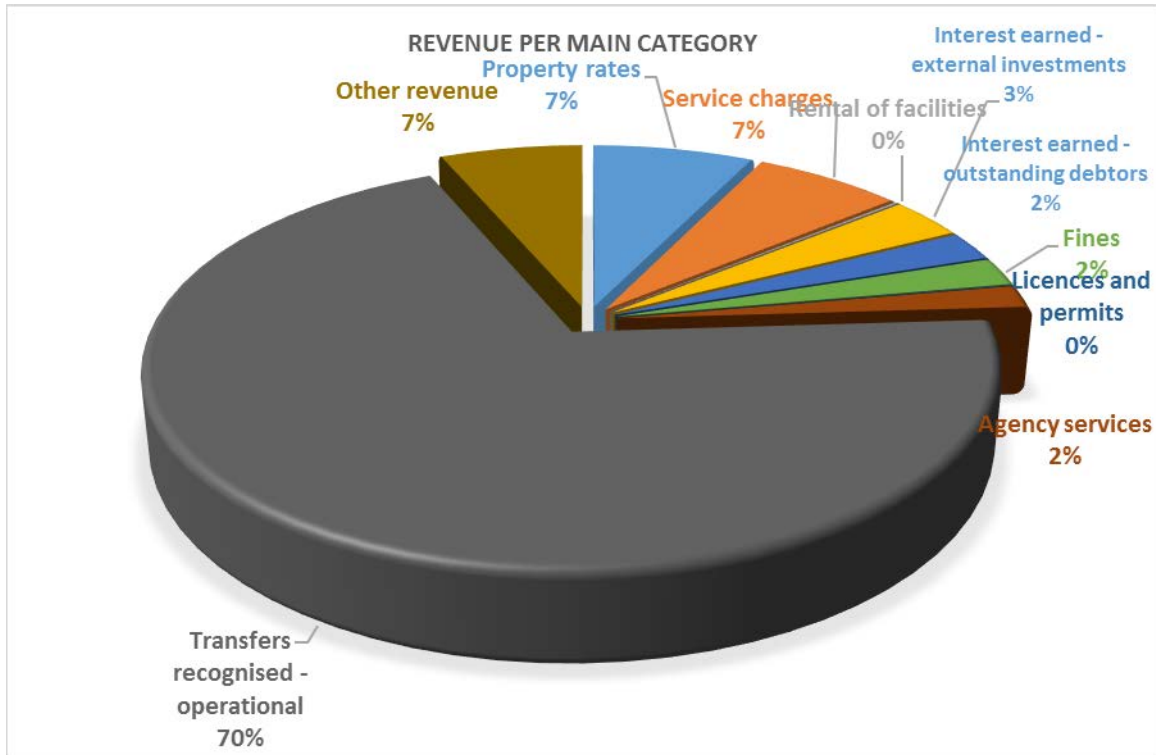
Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous years' surpluses not committed for other purposes; and
- Borrowed funds, but only for the capital budget referred to in section 17.

Achievement of this requirement in totality effectively means that a Council has 'balanced' its budget by ensuring that budgeted outflows will be offset by a combination of planned inflows. Refer Table A8: Cash backed reserves/accumulated surplus reconciliation' and Supporting Table SA10: Funding measurement.



The following graph is a breakdown of the operational revenue per main category for the 2015/2016 financial year



## 2.7 Expenditure on allocations and grant programmes

Expenditure for each grant for the MTREF period is summarised in the table below also in Table SA18, Table SA19 and Table SA20

NAME OF THE GRANT	ALLOCATION AUTHORITY/DEPARTMENT	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	PURPOSE
EQUITABLE SHARE	National Government	443 020 000	442 734 000	440 450 000	To implement the Programme by providing capital subsidies to municipalities to address the electrification backlog
FINANCE MANAGEMENT GRANT (FMG)	National Government	1 600 000	1 625 000	1 700 000	To promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act.
MUNICIPAL SYSTEM IMPROVEMENT GRANT(MSIG)	National Government	930 000	957 000	1 033 000	To assist municipalities build in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation, policies and the local government turnaround strategy.
MIG (MUNICIPAL INFRASTRUCTURE GRANT)	National Government	132 820 000	138 336 000	146 604 000	To supplement capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions.
ENERGY EFFICIENCY AND DEMAND SIDE MANAGEMENT GRANT(EEDG)	National Government	5 000 000	5 000 000	5 000 000	To promote energy efficiently
EPWP- EXTENDED PUBLIC WORKS PROGRAMME	National Government	2 302 000	-	-	To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme guidelines.
INEP(ELECTRICITY) GRANT	National Government	60 000 000	40 000 000	40 000 000	To implement the Programme by providing capital subsidies to municipalities to address the electrification backlog

## **2.8 Allocation and grants made by municipality**

- No allocations and grants made by the municipality

## **2.9 Councilor allowances and employees benefits**

- The councilor allowances have been prepared in line with SALGA Gazette, while the employee's benefits were done considering 4.4% salary increase as per Circular No 75.
- The salaries and wages for 2014/2015 financial year was R188 million and it has increased to R 200 million in 2015/2016 financial year. An increase in salaries is also affected by additional benefits to staff members such as Travelling Allowances and Medical Aid

## **2.10 Monthly targets for revenue, expenditure and cash flows**

Disclosure on monthly targets for revenue, expenditure and cash flow is made in the following MTREF tables:

- (A) TABLE SA25 - Budgeted monthly revenue and expenditure
- (B) TABLE SA26 - Budgeted monthly revenue and expenditure (municipal vote)
- (C) TABLE SA27 - Budgeted monthly revenue and expenditure (standard classification)
- (D) TABLE SA28 - Budgeted monthly capital expenditure (municipal vote)
- (E) TABLE SA29 - Budgeted monthly capital expenditure (standard classification)
- (F) TABLE SA30 - Budgeted monthly cash flow

## **2.11 Annual budgets and services delivery and budget implementation plans – internal departments**

- In terms of section 53(1)(c)(ii) of the MFMA the Service Delivery and Budget Implementation Plan must be approved by the Mayor within 28 days after the final approval of the budget. The monthly and quarterly service delivery targets and performance indicators will be revised to correspond with the 2015/2016 budget.

## **2.12 Annual budget and Service Delivery Agreements-Municipal entities and other external mechanisms**

- The list of external mechanism are detailed on Supporting MTREF Table SA32

### **2.13 Contracts having future budgetary implications**

- In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

### **2.14 Capital Expenditure Details**

Capital Details are shown in the following MTREF Tables:

- TABLE SA 34a – Capital expenditure on new assets by assets class
- TABLE SA 34b – Capital Expenditure on the renewal of existing assets by assets class
- TABLE SA 34c – Repairs and maintenance expenditure by assets class
- TABLE SA 34d - Depreciation by assets classification
- TABLE SA 35 – Future financial implications of the capital budget
- TABLE SA 36 – Detailed capital budget per municipal vote
- TABLE SA 37– Projects delayed from previous financial year

### **2.15 Legislation Compliance Status**

The following explains the budgeting process in terms of the requirements in the MFMA. It is based on National Treasury's guide to the MFMA.

The budget preparation process

- The Mayor must lead the budget preparation process through a coordinated cycle of events that commences at least ten months prior to the start of each financial year.

Overview

- The MFMA requires a Council to adopt three-year capital and operating budgets that take into account, and are linked to, the municipality's current and future development priorities and other finance-related policies (such as those relating to free basic service provision).
- These budgets must clearly set out revenue by source and expenditure by vote over three years and must be accompanied by performance objectives for revenue and expenditure, a cash flow statement and any particulars on borrowings, investments, municipal entities, service delivery agreements, grant allocations and details of employment costs.



- The budget may be funded only from reasonable estimates of revenue and cash-backed surplus funds from the previous year and borrowings (the latter for capital items only).

#### Budget preparation timetable

- The budget preparation timetable is prepared by senior management and tabled by the Mayor for Council adoption by 31 August (ten months before the commencement of the next budget year).

#### Budget preparation and review of IDP and policy

- The Mayor must co-ordinate the budget preparation process and the review of Council's IDP and budget-related policy, with the assistance of the municipal manager.
- The Mayor must ensure that the IDP review forms an integral part of the budget process and that any changes to strategic priorities as contained in the IDP document have realistic projections of revenue and expenditure. In developing the budget, the management must take into account national and provincial budgets, the national fiscal and macro-economic policy and other relevant agreements or Acts of Parliament.
- The Mayor must consult with the relevant district Council and all other local municipalities in that district as well as the relevant provincial treasury and the National

#### Tabling of the draft budget

- The initial draft budget must be tabled by the Mayor before Council for review by 31 March.

#### Publication of the draft budget

- Once tabled at Council, the Municipal Manager must make public the appropriate budget documentation and submit it to National Treasury and the relevant provincial treasury and any other government departments as required. At this time, the local community must be invited to submit representations on what is contained in the budget.

#### Opportunity to comment on draft budget

- When the draft budget is tabled, Council must consider the views of the local community, the National Treasury and the relevant provincial treasury and other municipalities and government departments that may have made submissions on the budget.

#### Opportunity for revisions to draft budget

- After considering all views and submissions, Council must provide an opportunity for the Mayor to respond to the submissions received and if necessary to revise the budget and table amendments for Council's consideration.
- Following the tabling of the draft budget at the end of March, the months of April and May should be used to accommodate public and government comment and to

make any revisions that may be necessary. This may take the form of public hearings, Council debates, formal or informal delegations to the National Treasury, provincial treasury and other municipalities, or any other consultative forums designed to address stakeholder priorities.

#### Adoption of the annual budget

- The Council must consider the approval of the budget by 31 May and must formally adopt the budget by 30 June. This provides a 30-day window for council to revise the budget several times before its final approval.
- If a Council fails to approve its budget at its first meeting, it must reconsider it, or an amended draft, again within seven days and it must continue to do so until it is finally approved – before 1 July.
- Once approved, the Municipal Manager must place the budget on the municipality's website within five days.

#### Budget Implementation

- Implementation management – the Service Delivery and Budget Implementation Plan (SDBIP)
- The Municipal Manager must within fourteen days of the approval of the annual budget (by 14 July at the latest) submit to the Mayor for approval a draft SDBIP and draft annual performance agreements for all pertinent senior staff.
- An SDBIP is a detailed plan for implementing the delivery of municipal services contemplated in the annual budget and should indicate monthly revenue and expenditure projections and quarterly service delivery targets and performance indicators.
- The Mayor must approve the draft SDBIP within 28 days of the approval of the annual budget (by 28 July at the latest).
- This plan must then be monitored by the Mayor and reported on to Council on a regular basis.

#### Managing the implementation process

- The municipal manager is responsible for implementation of the budget and must take steps to ensure that all spending is in accordance with the budget and that revenue and expenditure are properly monitored.

#### Variation from budget estimates

- Generally, Councils may incur expenditure only if it is in terms of the budget, within the limits of the amounts appropriated against each budget vote – and in the case of capital expenditure, only if Council has approved the project.
- Expenditure incurred outside of these parameters may be considered to be unauthorised or, in some cases, irregular or fruitless and wasteful.

#### Revision of budget estimates – the adjustments budget

- It may be necessary on occasion for a Council to consider a revision of its original budget, owing to material and significant changes in revenue collections, expenditure patterns, or forecasts thereof for the remainder of the financial year.

- In such cases a municipality may adopt an adjustments budget, prepared by the municipal manager and submitted to the Mayor for consideration and tabling at Council for adoption.
- The adjustments budget must contain certain prescribed information, it may not result in further increases in taxes and tariffs and it must contain appropriate justifications and supporting material when approved by Council.

Requirements of the MFMA relating to the contents of annual budgets and supporting documentation

- Section 17 of the MFMA stipulates that an annual budget of a municipality must be a schedule in the prescribed format and sets out what must be included in that format. The various tables detailed in Section 4 and those additionally attached comply with the disclosure requirements.

#### Other Legislation

- In addition to the MFMA, the following legislation also influences Municipality budgeting;  
(A) The Division of Revenue Act 2015 and Provincial Budget

Announcements Three year national allocations to local government are published per municipality each year in the Division of Revenue Act. Section 18 of the MFMA states that annual budgets may only be funded from reasonably anticipated revenues to be collected. The provision in the budget for allocations from National and Provincial Government should reflect the allocations announced in the DORA or in the relevant Provincial Gazette.

(B) The Municipal Systems Act - No 32 of 2000 and Municipal Systems Amendment Act no 44 of 2003

One of the key objectives of the Municipal Systems Act is to ensure financially and economically viable communities.

The requirements of the Act link closely to those of the MFMA. In particular, the following requirements need to be taken into consideration in the budgeting process;

- Chapters 4 and 5 relating to community participation and the requirements for the Integrated Development Planning process.
- Chapter 6 relates to performance management which links with the requirements for the budget to contain measurable performance objectives and quarterly performance targets in the Service Delivery and Budget Implementation Plan.
- Chapter 8 relates to the requirement to produce a tariff policy.
- Section 20 – Other supporting documents

Thulamela Municipality Budget has been prepared in line with the applicable legislation that is MFMA, DORA, Treasury Regulation and circulars issued by National Treasury.

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

**1. in year reporting**

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.

**2. Internship programme**

The Municipality is participating in the Municipal Financial Management Internship programme and has employed 7 interns undergoing training in various divisions of the Financial Services Department.

**3. Budget and Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA.

**4. Audit Committee**

A district shared Audit Committee has been established and is fully functional.

**5. Service Delivery and Implementation Plan**

The detail SDBIP document is at a draft stage and will be finalized after approval of the 2015/2016 MTREF in May 2015 directly aligned and informed by the 2015/2016 MTREF.

**6. Annual Report**

Annual report is compiled in terms of the MFMA and National Treasury requirements.

**7. MFMA Training**

The MFMA training module are currently being conducted in the municipality.

**8. Policies**

Thulamela municipality has amended its budget related policies. See *annexure C*

**2.1.6. Other Supporting Documents**

Various supporting documents are attached to enable the reader a fuller understanding of the various processes involved. They consist of the following

- (A) ANNEXURE A – MTREF TABLE A1-A10
- (B) ANNEXURE A – MTREF TABLE SA1-SA37
- (C) ANNEXURE B – MUNICIPAL TARIFFS 2015/2016 FINANCIAL YEAR
- (D) ANNEXURE C – MUNICIPAL BUDGET RELATED POLICIES
- (E) ANNEXURE D – INTEGRATED DEVELOPMENTAL PLAN (IDP)

**2.1.7. Annual budgets of municipal entities attached to the municipal annual budget**

Thulamela Municipality has no Municipal entities